

IN THE UNITED STATES DISTRICT COURT
IN AND FOR THE DISTRICT OF DELAWARE

BILLINGNETWORK PATENT, INC.,
Plaintiff,
v.
MODERNIZING MEDICINE, INC.,
Defendant.

CIVIL ACTION NO.
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17-1066-LPS-CJB

Wilmington, Delaware
Thursday, July 5, 2018
Oral Argument Hearing

BEFORE: HONORABLE LEONARD P. STARK, Chief Judge

APPEARANCES:

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2 P R O C E E D I N G S

3 (REPORTER'S NOTE: The following oral argument
4 hearing was held in open court, beginning at 10:33 p.m.)

5 THE COURT: Good morning.

6 (The attorneys respond, "Good morning, Your
7 Honor.")

8 THE COURT: Let me have you put your appearances
9 on the record for us, please.

10 MR. GOLDEN: Good morning, Your Honor. Ronald
11 Golden on behalf of Modernizing Medicine from Fish's
12 Wilmington, Delaware office. With me is David Conrad and
13 Theresa Dawson from Fish's Dallas office.

14 THE COURT: Welcome.

15 MR. GOLDEN: Thank you.

16 MR. PAZUNIAK: Good morning, Your Honor. George
17 Pazuniak for plaintiff, Billingnetwork.

18 THE COURT: Good morning to you as well.

19 So we're here on the defendant's motion relating
20 to 101. We'll hear from defendant's first.

21 MR. CONRAD: Thank you, Your Honor. Good
22 morning, Your Honor. David Conrad for the defendant.

23 First off, Mr. Golden informed me that it's your
24 birthday today so "happy birthday!" I don't know if you
25 wanted that on the public record.

1 THE COURT: I will get back at him for that.

2 Thank you.

3 MR. CONRAD: I'll try to be brief so we can all
4 get out and celebrate.

5 Your Honor, we moved to dismiss the complaint
6 under Rule 12(b)(6) for failure to state a claim. The
7 asserted patent is not eligible under the Supreme Court
8 *Alice* standard; and we briefed the *Alice* standard in our
9 motion and our reply brief. Today, I'd like to speak a
10 little bit more in plain English about what is the issue.

11 THE COURT: Well, and then also, as you all
12 know, there have been a lot of *Alice* 101 decisions since the
13 time you finished the briefing. I think you all gave me
14 your views on *Aatrix*, but that would not be the only
15 decision that has been issued since then. Do you think any
16 of those other cases may affect the analysis here?

17 MR. CONRAD: Not at all, Your Honor. *Aatrix* was
18 raised, and the plaintiff raised it as known supplemental
19 authority. We addressed it, and the issue there had to do
20 with, is the 12(b)(6) the right time to do that because
21 allegations in the complaint should be assumed to be true?
22 And the answer is no. If there is any allegations that are
23 relevant here, it relates to novelty rather than the issue
24 of eligibility.

25 The plaintiff has alleged that there are things

1 that they do as a whole that were new, but when you look at
2 the individual components that make up what they claim to
3 be an invention, it's just standard conventional generic
4 commercially available technology that was available at the
5 time the patent was filed.

6 THE COURT: So, for instance, *Berkheimer* talks
7 about how that second step of *Alice* can often but not always
8 be disputed fact, making 101 not amenable to resolution on
9 the motion like this. You don't think that impacts the
10 analysis here?

11 MR. CONRAD: Not at all. If I remember
12 correctly, *Berkheimer* says that its patent was each element,
13 there may not be a dispute about whether each element was
14 conventional, but the ordered combination might have been
15 unconventional use of the technology.

16 Here, what this plaintiff has done, what this
17 patentee did was essentially simply take an idea, which is
18 billing, and put it on the Internet, and they did that using
19 conventional elements. So when you break it down the way
20 *Berkheimer* did, when you look to the conventional elements,
21 there is no dispute here that they're all conventional. It
22 is just standard web browser, standard web server. There is
23 another embodiment about thin client access technology,
24 which is just commercially available Citrix.

25 When you look at it as an ordered combination,

1 however, the ordered combination in this case is putting
2 billing records on the Internet. So it's not that there is
3 anything interesting or conventional they were doing when
4 you look at the claim as a whole.

5 1999 was the surging height of the dot com era,
6 so basically that entire era was taking things and putting
7 it on the internet. That is all this patentee has claimed
8 to do.

9 THE COURT: You can go on to your plain language
10 or analysis you said you wanted to get to.

11 MR. CONRAD: Thank you, Your Honor. So I'll
12 just touch a little bit more on that first by looking at
13 what the allegations are in the complaint.

14 What you see here is that they have alleged that
15 in 1999, the named inventors identified what they called
16 problems with standalone and batch billing systems. That's
17 a little unclear to us what batch billing systems means, but
18 presumably it means simply just doing a lot of billing
19 records at once. This is something that has been done for a
20 long time just by paper in the accounting department of ...

21 THE COURT: And that's a quote from the
22 patent-in-suit; correct?

23 MR. CONRAD: I don't believe batch is. And
24 standalone is not something I found in the patent. However,
25 I believe it refers to the concept in the patent about how

1 they acknowledged in the prior art that billing systems,
2 electronic billing systems were essentially standalone on
3 the customer's computer. The health administrator's
4 computer.

5 So they said we don't want to do that. We want
6 to build a business that has a website that allows people
7 to access this from a website instead of their own computer.
8 That is what they have alleged in the complaint essentially,
9 which is that to improve on this, they contemplated the use
10 of a "browser-based" system, the worldwide web, the
11 Internet, which was applied to transfer "data and query
12 forms" from a server to a subscriber without the need to
13 transfer any underlying software application, meaning
14 instead of this all being on the health administrator's
15 computer, it's simply a website that they accessed through
16 a conventional web browser.

17 The data and query form, there is nothing
18 special about that in the patent. In fact, when you look at
19 the specification when it mentions them, it lists that
20 they're not even shown in the figures. It doesn't describe
21 what they are. It says at best that the customers create
22 them, which is no different than what billing has been for
23 the longest time in accounting departments of paper forms
24 submitted to Accounting for them to create invoices to send
25 to customers.

1 Paragraph 16 of the complaint sums this all up.
2 It says: At its core, it is a computer-implemented, Internet
3 browser-related system designed to solve technological
4 problems in conventional industry practice as of 1999.
5 That technological problem is a legal conclusion. It is not
6 a fact that is assumed to be true. All it's saying is that we
7 want to move this from their computer onto the Internet.

8 So that is what the patentees invented. And
9 the claim itself is just a recitation of the conventional
10 elements that existed at the time. The patent doesn't claim
11 to invent it. In fact, it goes so far as to state that the
12 whole point of this invention, if you look at column 3,
13 line, about line 17, says: It's an object of this invention
14 to utilize recent advances in software Internet-related
15 technology.

16 So all they're doing is saying there is
17 technology out there now that says we can put this on the
18 Internet. We're going to put this on the Internet and claim
19 a patent on it.

20 So now that we know what the invention is, the
21 question that needs to be answered today is, is that
22 invention under the Section 101 jurisprudence as it exists
23 today?

24 There are several Federal Circuit cases out
25 there that provide the answer "no" to that. One of them is

1 *BuySAFE v Google* that said, quote, "that a computer that
2 receives and sends the information over a network with no
3 further specification is not even arguably inventive."

4 *Ultramercial v Hulu* said, quote, "the claims
5 invocation of the Internet also adds no inventive concept
6 as we have held the use of the Internet as not sufficient
7 to save otherwise abstract claims from ineligibility under
8 101."

9 All this patent is, at the end of the day, a
10 standard fundamentally economic practice, billing, as
11 applied to the Internet.

12 THE COURT: So the prior art was, do this
13 fundamental economic practice on it a computer, and all they
14 have done is say move it from the client computer to the
15 Internet. That's how you would characterize these claims;
16 correct?

17 MR. CONRAD: That's correct. And the patent
18 actually gives a little bit more explanation to explain that
19 it's really not a technological issue.

20 I'll direct your attention to column 1 of the
21 patent where it starts out, around line 13. It says: The
22 traditional approach to billing for services rendered
23 includes the requirement that the business purchase hardware
24 and software as well as trained personnel to perform the
25 billing function. Meaning it was traditionally done

1 technologically at their own computer.

2 But the next paragraph, around line 22, says:
3 The next major developmental step in accomplishing this
4 function has been to outsource such billing and accounting
5 activity.

6 So their advancement of the art that they're
7 interested in, they said the next advancement was the human
8 function of someone else doing it rather than doing it at
9 your own computer.

10 So what they're saying is let's take one more
11 step and we'll do it for you on our web server and you can
12 access it on our web server.

13 THE COURT: You have mentioned *BuySAFE* and
14 *Ultramercial*. One part of the 101 analysis, it seems at this
15 point, is figure out which case has the technology that is
16 most analogous to the technology in front of me. If you had
17 to pick one, is it one of those two or is it some other case?

18 MR. CONRAD: I think that is a hard question to
19 answer, but those two cases as well as *Cybersource* which
20 they have cited are the most similar out of all of the cases
21 that are out there. *Cybersource v Retail Decisions*. Those
22 three are the most similar out of the existing jurisprudence
23 that we can locate.

24 It is similar in concept to *Alice* which is an
25 economic practice on the Internet. However, that did cite

1 many things like a database server; right? So it's hard to
2 say it is directly closest to Alice.

3 THE COURT: So the patentee pointed out that
4 these particular claims, at least some of the terms have
5 been construed by I think at least two other courts. It's
6 unclear to me -- and I'll talk to Mr. Pazuniak about it
7 shortly. It's unclear to me if they're asking me to follow
8 those constructions or what, if any, difference it would
9 make, but what is your view? Do I need to construe these
10 claims in order to resolve this motion?

11 MR. CONRAD: There is no need to construe the
12 claims. They do reference an order which seems to construe
13 several means-plus-function terms, but there is no need to
14 construe means-plus-function terms if it's apparent from the
15 face of the patent that there is really nothing but generic
16 functional structure like we have here where most of the
17 components are black boxes or admittedly conventional.

18 If you need to adopt constructions that were in
19 that court, nothing would change here.

20 THE COURT: The means-plus-function terms I
21 think were construed by one of the other courts? Is that
22 right?

23 MR. CONRAD: I believe so. I don't have the
24 actual order in front of me. I could pull it up if you
25 want. My recollection is that it simply recited generic

1 structural components like hardware and software.

2 THE COURT: Your view is if I adopted whatever
3 those constructions were, you still prevail?

4 MR. CONRAD: Yes, Your Honor. And the only that
5 they have raised with specificity is the issue of the forms.
6 So I'll briefly address that.

7 They point to the claim limitation: transferring
8 substantially only billing and data entry forms. And that's
9 vague because it's not really something that is described in
10 the patent.

11 What the Court construed it as, in one of the
12 prior cases, is something that is close to what the
13 plaintiff alleged, which is: forms without any underlying
14 software applications wherein most but not necessarily all
15 of the forms are billing and data entry forms.

16 So it's not identical to what the plaintiff had
17 proposed, if I recall correctly, but the thrust is the same
18 where the plaintiff was trying to allege the most -- least
19 technologically advanced construction possible, meaning all
20 that is being transferred back and forth are forms. There
21 is no software going back and forth. And that I think is
22 tied to the concept that traditionally it was done -- it was
23 software that was just run on a computer, and since they
24 said let's just use the standard Internet web technology,
25 web browsers, web browsers at its most basic functional

1 level simply transmits forms back, adjust information, no
2 software. And I think that they were trying to say let's do
3 this at least as advanced as possible. And I think that if
4 you construe it as favorably as they were seeking, you can't
5 get more conventional than what they're going after.

6 THE COURT: There is some of the briefing
7 talking about claims other than claim 1 which I understand
8 are not asserted. Does your motion ask me to make a
9 decision with respect to the claims other than claim 1?

10 MR. CONRAD: Well, I think we briefed the issue
11 sufficient to address all the claims, Your Honor. Their
12 assertion that only claim 1 was alleged in the complaint,
13 I'm a little unclear on that because the complaint actually
14 says: at least claim 1. Claim 1 was later highlighted as
15 representative.

16 If they're disavowing the assertion of claim 1
17 formally -- which I don't think that they have done. I
18 think they simply said in their briefing they didn't -- they
19 clearly only alleged claim 1, but that is not actually the
20 case in the complaint.

21 THE COURT: But if they stand up here and say
22 that if this case proceeds, it will only proceed on claim 1,
23 then I don't need to make a finding on the other claims?

24 MR. CONRAD: I think that you can, Your Honor.
25 But I don't -- and I think that we provided sufficient

1 briefing for you to be able to do that.

2 THE COURT: But I don't have to, depending on
3 what Mr. Pazuniak says?

4 MR. CONRAD: I'm not certain exactly what the
5 law is on that.

6 THE COURT: Well, I guess what I'm really
7 getting at is what are you requesting that I do subject to
8 whatever we hear from Mr. Pazuniak?

9 MR. CONRAD: Yes. We're requesting that all of
10 the claims be invalidated. The reason being that there is
11 no substantial difference between them. They're all
12 alleging essentially the same idea and essentially the same
13 elements in all claims.

14 There are two different embodiments in the
15 patent, and I think the claims alleged those two different
16 embodiments. One is the web browser embodiment, and one is
17 the commercial, commercial software Citrix embodiment, the
18 direct access server. Both of those would be, they have
19 exact same analysis as we presented in the briefing.

20 THE COURT: You answered my questions. Is there
21 anything else you want to say?

22 MR. CONRAD: No, Your Honor.

23 THE COURT: Okay. We'll get you back on
24 rebuttal then.

25 MR. CONRAD: Thank you.

1 THE COURT: Good morning again, Mr. Pazuniak.

2 MR. PAZUNIAK: Thank you, Your Honor. I have
3 some slides, if I may hand them up to the Court.

4 THE COURT: You may.

5 (Documents passed forward.)

6 MR. PAZUNIAK: As we pointed out in our brief,
7 the concern under Section 101 is not tangibility, that is,
8 whether there is something physical, but the question of
9 whether or not there is a preemption of an area of
10 technology based on abstract results.

11 THE COURT: You have moved quickly past your
12 preemption slide. It's interesting. You start there in
13 your brief, which admittedly was written six-or-so months
14 ago. It says that the most important thing and essentially
15 the starting point, if I understand you correctly, is to
16 figure out preemption, but that is not how the cases go.
17 The cases tell me to do Alice Step 1 and Step 2 and only
18 thereafter, if need be, think about preemption. Do you
19 agree that is the proper analysis?

20 MR. PAZUNIAK: I view it a little bit differently.
21 I view that Steps 1 and 2 are an effort to determine whether
22 there is preemption.

23 THE COURT: I think that is right, but when I
24 sit down and figure out are these claims patentable, do you
25 say I should first think about preemption or do I think

1 about *Alice* Step 1?

2 MR. PAZUNIAK: No, no. *Alice* Step 1.

3 THE COURT: And then *Alice* Step 2?

4 MR. PAZUNIAK: Then *Alice* Step 2. But the *Alice*
5 Steps 1 and 2 as a whole are informed by the overall concept
6 of preemption.

7 So we go to Step 1, which begins with the
8 claims, it is interesting that the briefing that was
9 undertaken by the defendant, and as Your Honor just heard
10 now, there is no discussion of the claims except very
11 peripherally. Rather, we have heard about generic
12 components about this is what the patent is about. Here is
13 the prior art, and it's all conventional, but nothing that
14 looks upon the claims to determine whether those claims
15 define something that is not an abstract idea.

16 And this is the problem, because the *Enfish*
17 court recognized you can take almost any technology and
18 abstract it to the point that you can say, aha, here is
19 abstract ideas.

20 The defendant has characterized the inventions
21 here as nothing more than a billing system using a browser
22 and a web server. Of course, if that was the case, we would
23 have one thing. But that is not what the claims are. And
24 this is what is missing.

25 THE COURT: If, at the end of the day, I look at

1 the specification and the claims and say that this patent is
2 about nothing more, and the claims are directed to nothing
3 more than electronic billing on the Internet, you do agree
4 that that would mean you don't survive a 101 motion?

5 MR. PAZUNIAK: It would be on, I would say, sort
6 of the gray area between something that is abstract and
7 something that is not abstract, because I think electronic
8 billing utilizing a web server and a browser is already
9 structural. It may be obvious, but it is structural.
10 However, I don't think Your Honor will need to get to that
11 because there is a lot of other elements and limitations in
12 the claims that provide even further structure. So I don't
13 think we need to go there.

14 THE COURT: I'll let you, of course, do this in
15 whatever order you want, but I am curious because I didn't
16 see it clearly in the briefing. What structure is there in
17 these claims that is something other than conventional,
18 routine, well understood computer architecture?

19 MR. PAZUNIAK: Well, there are two answers.
20 One, I think in the briefing, we did point out that the
21 means-plus-function elements do provide additional structure
22 which we will discuss with him shortly.

23 But there is also the broader issue, that at
24 *Alice/Mayo* Step 1, it doesn't really matter whether we're
25 talking about conventional or routine technology. As Your

1 Honor has pointed out in other cases, and many cases say
2 this, that under Step 1, you can have totally conventional
3 elements but if they are put together in a particularly
4 ordered combination, that is novel, well, that is
5 patentable, and the conventional elements provide the
6 structure, the tangibility or whatever you want to call it,
7 remove it from the abstract.

8 The fact that elements are conventional only
9 comes in as a Step 2 issue. But we're right now at Step 1,
10 and at Step 1, we only look to determine whether the ideas
11 are abstract, or is there something that, to use a loose
12 phrase, has some tangibility to it. If it has tangibility,
13 even if it's conventional, it is not an abstract idea. It
14 may be obvious, but then it's invalid under Section 103 or
15 Section 102, but it's not patent ineligible.

16 THE COURT: There are some cases where the
17 patentee says there is some non-conventional structure here.
18 I can point you to it as a particular limitation in the
19 claims. There are others where the patentee acknowledges
20 there is no such novel non-conventional structure, but the
21 ordered combination is what gets me over the 101. Which
22 case are you?

23 MR. PAZUNIAK: The first case.

24 THE COURT: You are the first case.

25 MR. PAZUNIAK: I will argue the first case.

1 THE COURT: You will argue that.

2 MR. PAZUNIAK: Yes.

3 THE COURT: And it is going to be the
4 means-plus-function limitation; is that right?

5 MR. PAZUNIAK: Yes. As we go on, yes, in part,
6 it's the overall structure, but certainly we will focus on
7 the means-plus-function elements.

8 But if we fail on that, then, yes, the ordered
9 combination is the backup argument that we would still argue.

10 THE COURT: Okay.

11 MR. PAZUNIAK: So let's take a look at the
12 claims. And on this slide 5, I just put in the entire claim.
13 We begin with something that already has some structure,
14 which is the integrated billing data processing and
15 communication system. It's already beginning to put some
16 structure on it.

17 We next have a database server.

18 And this is one of those elements that was
19 already previously construed. We have cited that decision.
20 It's DI 16-3.

21 Whether or not those constructions are
22 absolutely correct, whether Your Honor in the future will
23 or will not potentially amend them, I think is a separate
24 issue. The point is that "database server" has already been
25 recognized as having already some structure to it, and that

1 is that it is dedicated to storing and providing access to a
2 shared database, including data and forms.

3 So we don't have a generic "database server."
4 Rather, we have a database server that is already programmed
5 to provide access to a shared database, including data and
6 forms.

7 THE COURT: So, yes, let me stop you there. A
8 couple things.

9 First off, with respect to claim construction,
10 what is the plaintiff's position? Do I need to resolve
11 claim construction disputes before resolving this motion?
12 Do I instead adopt the prior constructions or do you have
13 some alternative even more favorable to the plaintiff's
14 constructions for me to assume?

15 MR. PAZUNIAK: We believe that any time a Court
16 reviews claims, construction is required. Words in a claim
17 may have their ordinary meaning but that itself is sort of a
18 construction.

19 But, yes, we do believe that claims should be
20 construed any time they're considered. And we had submitted
21 the decision. We're comfortable with the decision. It's
22 construction as a matter of law. So here is a court that
23 as a matter of law reviewed the claims after extensive
24 briefing and argument and made certain determinations in
25 a very lengthy, well thought thorough decision.

1 THE COURT: All right. Well, when I am trying
2 to figure out, if these claims are patentable and can
3 survive the motion. As you know, sometimes we have cases
4 where the parties agree you don't have to resolve any claim
5 construction disputes. Other cases, the parties say you do,
6 and then I need to know what they suggest I say the claims
7 mean.

8 I'm understanding, but if I've got it wrong tell
9 me, that your position is, yes, I need to construe these
10 claim terms, and, yes, I should, in doing that, for purposes
11 of this motion, just simply adopt the constructions of the
12 two earlier courts. Is that correct?

13 MR. PAZUNIAK: That's correct, Your Honor.

14 THE COURT: And it is two, right? The Illinois
15 and the Florida courts?

16 MR. PAZUNIAK: It is actually we cited the
17 Florida Court because the Illinois court I don't think had
18 as much of a construction. I think the Florida Court is the
19 one that really went deeply into the issues.

20 THE COURT: So what the plaintiffs would ask me
21 to do is just simply plug in as the meaning for each of the
22 terms addressed in the Florida opinion, the Florida decision --

23 MR. PAZUNIAK: That's correct.

24 THE COURT: -- for purposes this motion, and
25 you all, going forward, can argue what you think the right

1 construction is.

2 MR. PAZUNIAK: That's fine, Your Honor. Yes.

3 And the decision is D.I. 16-3.

4 THE COURT: Thank you.

5 MR. PAZUNIAK: So then we go to the next

6 element, which --

7 THE COURT: Oh. But on that first one,

8 "database," are you arguing that that is novel,

9 non-conventional structure, inventive in some way?

10 MR. PAZUNIAK: Well, I am arguing that it is a
11 structured element. Whether or not it is a novel, I don't
12 know. It hasn't really been argued. But I would say that
13 it is not conventional or routine because I'm not aware of
14 that in 1999, which, you know, both sides agree that we have
15 to look at 1999 as the focus point.

16 Now, defendant says, well, 1999, that's the hot
17 period of the dot com era and a lot of things were being
18 done.

19 Well, that may or may not be true, but I don't
20 believe that databases that provide access to a shared
21 database, including data and forms, may have been known. I
22 don't know that it was conventional or routine.

23 THE COURT: Well, let me ask you this. You I
24 think maybe have alluded, it might have been in one of your
25 letters, to there being fact disputes here that you think

1 will necessitate denying your motion, but it was unclear to
2 me until I came in here what those fact disputes are. Is
3 one of them, is a database in 1999 as claimed in claim 1
4 of these conventional and routine, or is that not a fact
5 dispute?

6 MR. PAZUNIAK: Well, I think the combination
7 certainly of claim 1 has not been conventional and routine,
8 but, yes, database is one.

9 The problem, Your Honor, is that defendant had
10 the burden of proof, proof by clear and convincing evidence
11 on all the issues, including whether something was routine
12 or conventional.

13 There is no expert report here. Everything
14 about -- there is no cited prior art. Defendants entire
15 case is built entirely upon counsel's ipsi dixit that, oh,
16 Your Honor, of course this is routine, of course this is
17 conventional. You know, a lot of hand waving. I'm sorry,
18 Your Honor, that is not how you prove facts. This is not
19 how you prove --

20 THE COURT: If your specification says, for
21 example, the database is the database that we all are aware
22 of, that would be sufficient evidence for the defendant to
23 prevail on that point, wouldn't it?

24 MR. PAZUNIAK: It would if we said that, but I
25 don't believe we did. And we certainly did not say that a

1 network device that provides access to a shared database,
2 including data and forms, was routine. And the issue again
3 is not whether it was novel or whether it would pass a
4 Section 102 standard. Conventional and routine is a
5 different standard than whether something is novel. And
6 this is what is entirely missing in the record presented by
7 defendant.

8 So if I have answered Your Honor's question,
9 I'll go to the next limitation.

10 THE COURT: Yes, that's fine.

11 MR. PAZUNIAK: Which is the requirement that
12 there be a home page on the web server that provides a
13 plurality of subscriber areas.

14 And, again, that has -- that term "subscriber"
15 has already been construed. And, again, subscriber areas on
16 the home page is -- it is not just any web server with any
17 web home page. Now we have a requirement that there be
18 delineated a certain area that is identifiable as a
19 subscriber area that performs certain function.

20 So, again, we have a web server that may be
21 conventional but now it's programmed to be more specific to
22 provide the certain structure.

23 THE COURT: Are you contending that that
24 limitation is routine?

25 MR. PAZUNIAK: Yes.

1 THE COURT: Is something other than routine and
2 conventional?

3 MR. PAZUNIAK: Yes, absolutely.

4 THE COURT: So there is that minimum of fact
5 dispute.

6 MR. PAZUNIAK: Yes, absolutely, on the
7 subscriber areas.

8 And then we get to the first means-plus-function
9 limitation. Again, any time you have means-plus-function,
10 you have to have a structure, because that is, that is the
11 definition of a means-plus-function element.

12 And in this case, the Florida decision provided
13 the structure. And we pointed out in our brief that both
14 of these -- this means claim and the next means claim are
15 important. And in this case, again, the structure was
16 defined as a computer system programmed to transfer data.
17 And, well Your Honor can certainly read the rest of the
18 construction.

19 But, again, we now again have a programmed
20 piece of equipment that is a structure under the law. And
21 Your Honor will recall from other cases that Your Honor
22 has decided that means-plus-function algorithms are a
23 structure. And I don't think that the law would be any
24 different when we're looking at 101.

25 But also of interest is that the part of the

1 Court's construction said that this means claim is read with
2 Figures 1 and 2, but -- sorry -- Figures 1 and 3 of the patent.

3 And if we look at Figure 1 of the patent, again,
4 we have something that is very clearly tangible. We do have
5 a home page. And you will see, and I have it in the dotted
6 line block there, you have the various subscriber areas
7 which are defined by logic rules and then associated with
8 database server.

9 Figure 3 is just another version of the same
10 system, but I have put the dotted lines around an area that
11 actually I thought defendant's counsel just said never
12 existed in the patent. And, specifically, I'm pointing to
13 the boxes that have HTML input forms and HTML query forms.

14 I thought I heard counsel say that the patent
15 never actually describes those forms. But here they are in
16 Figure 3 which is incorporated into one of the means claims.

17 THE COURT: Well, what more does it tell us?

18 MR. PAZUNIAK: Well, what it tells us is HTML,
19 of course, is a technical, you know, particular technology,
20 as I'm sure Your Honor has heard in many cases. Hypertext
21 transfer protocol -- whatever it is. I'm getting a little
22 old. But HTML is a defined technology. And here we have
23 both input query forms and input forms. And these forms are
24 a structure, no ifs, ands, or buts, when you have a web
25 server and a PC, and they may be on the Internet, but when

1 you are transferring these forms, you are transferring
2 something tangible in the patent sense, tangible in a sense
3 that these are defined structures.

4 THE COURT: And you contend that these are
5 something other than conventional and routine at the time?

6 MR. PAZUNIAK: Well, HTML, by itself, of course,
7 is not novel. That is conventional. But what is completely
8 new, and this in fact was the whole foundation of the
9 patent, is that the electronic billing system that is
10 claimed here is entirely based on the fact that you had HTML
11 query forms going from a PC to these, to the subscriber area
12 in a home page. You have a database server that provides
13 the information. And then you have a return of forms from
14 the database through the subscriber area to the PC. That is
15 all structure and it's all novel. This was in fact the
16 foundation of the patent.

17 So we then continue to the next
18 means-plus-function element which is to provide real-time
19 electronic viewing and theory access of data and billing
20 stored in the database server.

21 This is entirely novel. This is definitely not
22 conventional. There was never any in the prior art. Again,
23 this is why I've been saying it is the foundation of the
24 novelty of the patent is you have not only the passing of
25 the form but you have the ability of the user sitting at the

1 PC at the terminal being able to send queries, being able to
2 view these data and billing forms that are being sent from
3 the database server.

4 And this, again, the structure is entirely new.
5 And then you have, of course, the PC computer that is
6 connected to the back server.

7 THE COURT: Are you contending there is a
8 factual dispute whether that is conventional and routine?

9 MR. PAZUNIAK: I would say the PC computer is
10 obviously conventional, computer connected to a database
11 server on the Internet is conventional. But the concept of
12 being connected to the database server for controlling said
13 forms, which are the query access of data billing forms that
14 are stored, that is entirely new. That has never been done,
15 as far as I know, prior to this invention.

16 So the question now becomes, now that we have
17 looked at these claims as opposed to generic abstractions of
18 it, is this something directed to an abstract idea?

19 Well, in the first instance, the invention here
20 does involve billing. And, of course, if that is all that
21 was involved, we would agree, that is abstract.

22 We put billing on a computer. That certainly
23 would be abstract because all you are doing is using the
24 computer as a tool.

25 Then we get to actually the question Your Honor

1 just asked a little while ago: An electronic billing
2 system, is that a sufficient structure to avoid abstraction?
3 And as I indicated, we're now sort of on the edge of what
4 may or may not be abstract.

5 What if we add the web server and client browser?

6 Well, again, that is sort of like edge area.

7 But what is interesting is this is where, this
8 here web server and client browser, this is where
9 defendant's arguments stop. They say: Okay. This is all
10 that it is. We don't -- and, therefore, because this is
11 all that it is, you have abstract ideas implemented on
12 conventional computers and so we throw everything out.

13 What is entirely missing is what we have just
14 talked about, is that you have a client PC and browser and
15 a website that now has a home page. That home page, by
16 definition, goes through a secure line to a very clearly
17 defined database server. That home page is not just the home
18 page on a web server but one that has something structural
19 there, that defines a subscriber area. And that subscriber
20 area is utilized to transfer these billing and data entry
21 forms between the subscriber area and the client PC.

22 This is all structure -- all structure that
23 defendant has completely ignored in its presentations, both
24 in its briefs and again here today.

25 Then finally, of course, we have the claim

1 limitation that the user have access to all of these billing
2 and data entry forms and be able to access the data server.

3 So, Your Honor asked also what about some of
4 these cases? What cases are pertinent? And whether there
5 are some newer cases that have been decided since the
6 briefing has been completed. And I will try to go through
7 some of them.

8 The *Enfish* case, which was heavily briefed in
9 our case, again, you have a data storage and retrieval system.

10 This is the claim that was involved in that case.
11 It is something that's pure software, pure logic of fixing
12 or enhancing the operation of a computer memory.

13 And what did the Court hold? It said that this
14 self-referential table is a specific type of data structure
15 designed to improve the way a computer stores and retrieves
16 data in memory.

17 Well, that is what we do in the '229 claim. We
18 have a specific database, just like in *Enfish*. The data and
19 billing forms, which is a particular implementation that is
20 used to improve the way computers provide electronic billing.

21 And, actually, defendant has pointed out that we
22 have actually, in columns 1 and 2 of the patent, a very long
23 discussion of what the prior art was. And then when you get
24 to the brief summary of the invention and in the bottom of
25 column 2 to the top of column 3, yes, there is a whole

1 discussion of how this technology with these forms, with the
2 subscriber areas, this is what has created and improved upon
3 the existing system.

4 So, well, let's finish these cases. Then we had
5 the *McRO* case. Again, if you took a look at the claim in
6 that case, all the claims are related to rules. It's a
7 method, not a product. It's a method. And it just talks
8 about obtaining, generating, applying rules. And in this
9 case, the Court said, again, this is patentable. And what
10 is important in particular, the Court said: While the
11 result may not be tangible, there is nothing that requires a
12 method "be tied to a machine or transform an article" to be
13 patentable.

14 And, of course, that I think applies here
15 because even though the HTML or other data and billing form,
16 you know, it's not some piece of paper that you can pick up.
17 It's not tangible in that sense. It does have structure,
18 and it is subject to a number of specific rules.

19 Then we have the next case, which is *Visual*
20 *Memory vs. NVIDIA*. And, again, you have a computer memory
21 system where the critical point is: wherein a programmable
22 operational characteristic of said system determines a type
23 of data stored by the cache.

24 So, again, this is what we had been talking
25 about previously. You have a computer memory which is a

1 standard conventional piece of equipment but it is now
2 transformed because there is a certain structure associated
3 with that memory. Structure that is software structure, not
4 a physical structure. And the Court said, well, again, this
5 is a claim that is directed to an improved computer memory
6 system, not the abstract idea of categorical data storage.

7 Again, the Court emphasized, having one or more
8 programmable operational characteristics. This is exactly
9 what the '229 patent claims have. They have a program.
10 This is a computer programmed with certain operational
11 characteristics. And that is a structure, and it is just
12 like the *Visual Memory* case.

13 We have provided an improved web server,
14 improved database, improved delivery method, not just the
15 abstract idea of providing electronic billing services.

16 THE COURT: What does the '229 say about how
17 that improvement is accomplished other than just outsourcing
18 it to the Internet?

19 MR. PAZUNIAK: Well, you begin with the web
20 server having a home page with the subscriber areas, with
21 the subscriber areas being associated with a database server
22 that has -- is a repository of rules and forms. So now
23 already this is not just the Internet, it is a very defined
24 structure of the subscriber area plus the database server.

25 The concept of transferring queries and

1 information via forms involving data and billing forms
2 between the subscriber area and the user PC, again, this is
3 totally novel. It is not just a PC operating a browser
4 looking at a web page.

5 Normally, what is conventional, I can take this
6 computer, go to the Internet and I can view, I can view
7 anything. Well, that is conventional. But when you start
8 using the web server and the browser to have a prescribed
9 subscriber area, with the limitations that we thought about
10 and communicate via these data and billing forms, that is
11 something completely different. And it's a substantial
12 add-on to everything that has been done. And that is not
13 conventional. It was not conventional in 1999.

14 THE COURT: You talked about a few cases, and I
15 know you have a few others you might want to get to. If I
16 perhaps unfairly said to you which is the one case most
17 analogous to this case, would you be able to answer that?

18 MR. PAZUNIAK: I think the case -- I would point
19 to about four cases that I think I have here, which is the
20 *Visual Memory*. I guess the *McRO* case, the *Visual Memory*
21 case, and *Finjan* is somewhat relevant. And then the *Core*
22 *Wireless Licensing* case I think is very important.

23 In *Core Wireless*, the Court made it very clear
24 that in this case, we have a user interface and that user
25 interface, again, Your Honor, was asking about a browser and

1 the web server, and that is all it is.

2 Well, *Core Wireless* involves a web server and a
3 browser and a user interface, and the Court found that the
4 claims were not abstract because the user interface was a
5 very specific user interface, and the claim restrains the
6 type of data that can be displayed in the summary window,
7 and the limitations disclose a specific manner of displaying
8 the data.

9 Well, that is exactly what the forms and the
10 limitations in claim 1 about the forms and the limitations
11 about the display are doing. We are presenting a very
12 restricted, restrained, and specific manner of displaying
13 information. The *Core Wireless* case is entirely on point.

14 And at the same time, if you look -- if the
15 Court considers the cases where information was -- I'm
16 sorry -- where the claims were held invalid, they're all
17 very, very easily distinguishable.

18 The most recent case is the *SAP* case. And
19 again, the Court held that the claims simply provided a
20 method of selecting information, using its mathematical
21 techniques and reporting its results without any structure
22 or without any restrictions.

23 The *Voter Verified Inc. v Election Systems* case,
24 again, it's totally abstract because it was directed to the
25 results of verifying a vote without any structure associated

1 with it.

2 The other two cases I have on the slide 23, I
3 can read them, but they're again the Court held that the
4 claims in those cases simply provided a result without
5 providing any structure to how those results were obtained.

6 And, of course, in this case we have been
7 talking about, there is a lot of structure that is
8 associated with how these results are obtained.

9 On slide 24, I cite the *TLI* case because that
10 was the case most heavily relied upon in defendant's
11 briefing. And, again, if the Court considers the claim in
12 that case, it was a method claim and there was simply no
13 structure associated with that claim at all. It all was
14 a matter of taking digital images and recording, storing and
15 transmitting them where any kind of, any kind of system
16 would have fallen within the scope. Because, again, only
17 the results were being claimed, not any structure about how
18 those digital images were conveyed. And we don't need to go
19 into that.

20 So, in summary, the Court need not get into
21 Step 2 because defendant cannot meet the requirements of
22 *Alice/Mayo* Step 1. As shown in slide 26, we have been
23 talking about that whole structure that's in the claims.
24 It's not any web server or website but specific improvement
25 in the capability of these computing devices based on the

1 creation of the home page database server, subscriber area,
2 and the use of the billing and data form.

3 We are not just claiming standard communication
4 between the website and the browser but the transfer of
5 billing and data entry forms.

6 This is novel. It's not conventional and it is
7 structural.

8 I should point out that even if we have to get
9 to Step 2, which I don't think we do, it's clear that these
10 same elements that we are looking at here on slide 26 also
11 inform Step 2 of the *Alice/Mayo* test. If Step 2 is
12 required, we still have the inventive steps because there
13 is no showing that a subscriber area was conventional or
14 routine. That the transmission of forms was routine,
15 particularly in 1999.

16 Again, defendant had the burden of proving by
17 clear and convincing evidence the elements of Step 2, and
18 there is nothing.

19 THE COURT: You have only a few minutes left.
20 Let me ask you a few more questions.

21 First, do I need to make a decision, should I
22 make a decision for all claims or just for claim 1?

23 MR. CONRAD: Okay. Claims 2 through 5 are
24 dependent on claim 1, and they do add certain elements.
25 Defendant then separately argue claims 2 through 5. So it's

1 I don't think we ever -- I understood from their motion that
2 their motion was actually directed to claim 1.

3 THE COURT: Are you reserving the right to
4 assert claims 2 through 5 in this case?

5 MR. PAZUNIAK: There is actually claims 2
6 through 7. Six and 7 are independent claims with some
7 additional material.

8 Yes, we do reserve. I think we need to get a
9 little more information about defendant's actual technology
10 when we have the exchange of information.

11 THE COURT: But to the extent you are reserving
12 the right to assert all the remaining claims in the patent,
13 don't I need to make a decision as to their patentability at
14 this point?

15 MR. PAZUNIAK: Your Honor would have to make a
16 decision as to those claims, although again from plaintiff's
17 perspective, if claim 1 is valid, then by definition, claims
18 2 through 5 are valid.

19 Claims 6 and 7 have additional structures beyond
20 what is in claim 1. So they're even further removed.

21 That's why I understood that defendant was
22 focusing solely, and only, on claim 1.

23 THE COURT: You referenced an algorithm. Is the
24 algorithm that you contend is disclosed here, do I find it
25 in Figures 1 and 3 or do I find it somewhere else?

1 MR. PAZUNIAK: Figures -- the Florida court gave
2 the structures, and that was in the slides. It was in D.I.
3 16-3 gave the entirety of the structures. But, yes,
4 included in the Court's construction was the requirement
5 that it be read in light of Figures 1 and 3.

6 THE COURT: So it's the claims as construed by
7 the Florida Court, including those structures plus Figures 1
8 and 3.

9 MR. PAZUNIAK: Yes.

10 THE COURT: MAYO does say that 101 analysis, you
11 strip away generic or conventional components. You agree I
12 have to do that; is that right?

13 MR. PAZUNIAK: I thought that was more of a
14 requirement for Step 2 as opposed to Step 1. If I am
15 correct on that, I apologize. But I believe that was a
16 Step 2 issue.

17 THE COURT: Whatever step it is at, I have to
18 follow that, right?

19 MR. PAZUNIAK: Yes, yes. In Step 2, definitely
20 the conventional elements were stripped away. And we look
21 at the inventive steps. But, again, we don't know what is
22 conventional because there is no record of that.

23 THE COURT: All right.

24 MR. PAZUNIAK: Thank you, Your Honor.

25 THE COURT: Thank you very much.

1 Mr. Conrad, do you want to come back?

2 MR. CONRAD: Just a few, Your Honor.

3 To your question, Your Honor, about claims that
4 are, could be compared to one at issue here.

5 Plaintiff brought up the *Voter Verified* case.
6 If you look at that case, it is another example, it doesn't
7 involve the Internet but it is an example of structural
8 components that are put together in order to perform what
9 is just a traditional economic -- well, it's not economic --
10 traditional function.

11 So when you look at that case, you have got:

12 One or more computer programs that are doing
13 various functions related to voting.

14 At least one computer with a display device to
15 perform some voting functions.

16 A printer connected to it. And,

17 A balloting scanning machine.

18 All of which is a structure that plaintiff
19 alleged was novel and new had not been done before but it's
20 abstract.

21 So I just wanted to put up this figure that
22 plaintiff was relying on.

23 When you look at the things that they were
24 trying to argue was new and conventional, first off, almost
25 all of that is not in the complaint. What is alleged in the

1 complaint is simply that there is, as a whole, the Internet
2 based billing system is new, novel.

3 Again, novelty is not the test. It is simply an
4 abstract idea; and there is nothing inventive about the way
5 in which this abstract idea is being performed.

6 THE COURT: Do you disagree I have to look at
7 all limitations of the claims to assess your motion, don't I?

8 MR. CONRAD: You do have to look at all the
9 limitations in the claim in order to address whether any
10 individual element there is a new way of doing, a new
11 specific way of doing things. And then you look at all of
12 them together to see if the idea of the way -- in case all
13 of those are conventional, you look at all of them together
14 to see if that whole idea is a specific tangible way of
15 doing this abstract idea.

16 THE COURT: That's the ordered combination.

17 MR. CONRAD: That is the ordered combination.

18 What they have highlighted for you here,
19 however, in the first box is a client PC plus browser.

20 I don't believe plaintiff is alleging that is
21 unconventional.

22 The website is the next part.

23 In 1999, again, I believe I heard him say that
24 that could be conventional.

25 But he said there was a homepage.

1 I don't think that there is a plausible way that
2 anyone could say that in 1999 there were not home pages on
3 websites.

4 Then there is something about this box called a
5 subscriber area which the patent doesn't really explain. At
6 best, what we get is this construction which is structure
7 programmed to be a system component unique to that subscriber.

8 Well, that doesn't sound like much structure to
9 me, but that's the construction.

10 As far as it concerns the analysis for Section
11 101, that is just generic. There is nothing that is interest-
12 ing about a system component unique to that subscriber.

13 If you want to think about this whole process as
14 billing generally when you've got a business organization
15 with doctors, on one hand, who are representing the client
16 PCs, and the accounting department which would represent the
17 server. Well, you could say that the subscriber area is
18 really nothing more than going up to the fifth floor and
19 meeting Janice in Accounting in a private conference room.
20 There seems to be nothing different than that analogy in the
21 traditional nontechnical sense.

22 And this billing and data entry forms. Well,
23 that's how traditional business processes worked before
24 computers. You used data forms to pass them back and forth.

25 When you move into the Internet, well, the

1 technological implementation of the Internet is to move
2 forms back and forth over the Internet as well.

3 So there is really nothing here on an individual
4 level. At best, it's just a generic component. At worst,
5 it's admittedly conventional in the patent. And as a whole,
6 it is simply putting billing systems on the Internet.

7 To the extent that the plaintiff is alleging
8 that any of these particular limitations is novel, as I
9 have mentioned they're generic. The *Internet Patents v*
10 *Active Network* case is an example where the Federal Circuit
11 said, fine, if you want to say that your invention is this
12 one limitation -- in that case, it was a browser system
13 that the supposed novel piece was maintaining state in
14 the browser. Well, all they did in that case was claim
15 maintaining state. They claimed the actual function itself.
16 So here, at best, all they are doing is claiming the
17 function which really doesn't differ from the traditional
18 business process flow of billing.

19 That's all I've got, Your Honor. I would
20 request that the Court grant our motion. If there are any
21 other questions?

22 THE COURT: I do have some questions for you.

23 So it's now clear to me that the plaintiff is
24 asking on this motion that I apply the Florida court's claim
25 constructions. Do you oppose me doing that?

1 MR. CONRAD: For the purposes of this motion,
2 no. Because it sounds to me that that is their allegation
3 of what the proposed claim constructions should be and,
4 therefore, for the purposes of 12(b)(6), you can accept that
5 as true and adopt those. They don't change the analysis
6 because at best, as you can see here, they are simply
7 generic components like a component in one example, a
8 network device in another example. And they're just simply
9 performing traditional functions that any accounting and
10 billing system would do with or without computers.

11 THE COURT: So I also think it is now clear
12 after my discussion with Mr. Pazuniak exactly which
13 limitations he is contending there is at least a factual
14 dispute as to whether they are controversial and nonroutine
15 in 1999. That was not clear to me before I came in. I
16 don't know what was clear to you.

17 He also is arguing that the ordered combination
18 is not conventional and not routine or at a minimum there
19 is a fact dispute. Do you wish to submit any additional
20 briefing or do you think I have what you would want me to
21 have in order to apply these claim terms and then assess
22 whether or not there is even fact dispute on each of these
23 limitations that he has now highlighted?

24 MR. CONRAD: To begin, Your Honor, that also
25 wasn't clear to me before walking in here today because it

1 wasn't specifically alleged in their briefing and it wasn't
2 in the complaint. So this would be new arguments that we're
3 hearing today.

4 If there is something that Your Honor does
5 believe at the end of the day, there is a legitimate plausible
6 factual dispute, then we would request the opportunity to do
7 additional briefing, perhaps converting this to a summary
8 judgment motion with an opportunity to submit evidence.

9 If you look at the terms than are mentioned that
10 plaintiff's counsel mentioned, they are at best generic and
11 at worst entirely functional. And I don't think that even
12 saying that those functions being unconventional would save
13 the day. Because what we're looking for here is specific,
14 tangible, concrete implementations that would survive the
15 *Alice* test. And even if you say that this function was
16 unconventional, well, an unconventional function is not
17 going to be a tangible invention.

18 THE COURT: In terms of which claims I need to
19 assess, I think you and I talked about claims 1 through 5.
20 I don't recall who talked about independent claims 6 and 7.
21 Was your motion directed to them? Do I need to make a
22 finding on those two claims?

23 MR. CONRAD: It wasn't clear to me exactly what
24 plaintiff is saying they're reserving the right to assert.
25 It was at least 1 through 5. If you would like to ask

1 plaintiff for clarification on that, I think that would be
2 helpful.

3 THE COURT: My understanding is they're at least
4 not today going to say that they will not assert claims 6
5 and 7 against you.

6 MR. CONRAD: Then that sounds to me like there
7 is a live dispute, a controversy about the asserted claims 1
8 through 7, which are all the asserted claims. Because we
9 requested that all the claims be invalidated under Alice in
10 our motion, and we ask the Court to rule on that notion.

11 THE COURT: Have you been adequately heard on
12 briefing on claims 6 and 7 or did you want to say something
13 more?

14 MR. CONRAD: Those, we have been heard in
15 briefing on those claims. They're directed to the same
16 abstract idea, Your Honor.

17 THE COURT: And what about the application of
18 the concept of the burden of proof? You heard Mr. Pazuniak
19 say several times I need to find clear and convincing
20 evidence here. Is that the correct analysis?

21 MR. CONRAD: No, because on the face of the
22 patent, the patent is ineligible. So what we have done is
23 meet any burden of proof that may be out there. So the
24 burden of proof would shift to the plaintiff to produce
25 something. I don't know what the standard of proof would be

1 for whatever the issue that he may be referring to, but it's
2 at this point to produce something, some allegation, some
3 concrete factual allegation with specificity that would
4 defeat our motion, and we haven't seen that today.

5 Again, the face of the patent, column 3, lines
6 16 through 17 makes clear that the object of the invention
7 is simply to utilize recent advances in software and
8 Internet-related technology to conduct billing.

9 THE COURT: Okay.

10 MR. CONRAD: And so on the face of the patent,
11 we have met every burden at the pleading stage to show this
12 is an ineligible patent.

13 THE COURT: Is there anything else?

14 MR. CONRAD: No, Your Honor. Thank you.

15 THE COURT: Mr. Pazuniak, you have a minute or
16 two, if you want.

17 MR. PAZUNIAK: Thank you. If I could address
18 just a couple minor points.

19 THE COURT: Yes.

20 MR. PAZUNIAK: I thought counsel indicated in
21 the reply that our arguments about the factual disputes is
22 something that is entirely new.

23 Actually, our brief raised this issue many
24 times. And I think we don't really need to go beyond pages
25 16 and 17 of D.I. 15 where plaintiff specifically said

1 defendant has been using the words "conventional," "known,"
2 "understood," et cetera, at least 40 times in its brief.
3 And we pointed out it was all unsupported and disputed.

4 Also, as to claim 1, or which claims were in
5 issue, in our brief, again, D.I. 15 at page 17 -- I'm
6 sorry -- I'm looking at the reply brief, Document 17, on
7 page 3, defendant's argument title is very clear. Claim 1
8 is patent ineligible under Section 101. That was the only
9 issue that was briefed. That was the only one that was
10 moved on, which is why the other claims were not in issue
11 and had not been briefed. And obviously if the Court wants
12 to consider them beyond, you know, I think that would have
13 to be subject to additional briefing.

14 THE COURT: Well, yes. Don't go away. If I
15 think I need to address anything beyond claim 1, plaintiff
16 is asking for the right to be heard in briefing on that?

17 MR. PAZUNIAK: Yes. Absolutely, Your Honor.

18 THE COURT: I appreciate your reference to pages
19 16 and 17 of your brief, but tell me if I missed it. I didn't
20 see anywhere that you disclosed which claim limitations you
21 were specifically arguing on which there was a fact dispute
22 about them being something other than conventional and routine.

23 Today, I understood, I think we went through very
24 carefully which ones you are saying we need to treat as having
25 a fact dispute on, as well as the ordered combination. I

1 didn't see that kind of specificity in your briefing. Did I
2 miss it?

3 MR. PAZUNIAK: Your Honor, I don't recall. I'm
4 looking at this. I know we argued the means claims in the
5 brief. I just don't recall what language was used on that.
6 So I know we generally disputed all the arguments of these
7 things being conventional.

8 Thank you, Your Honor.

9 THE COURT: Mr. Conrad, did you want the last
10 word? You can come back.

11 MR. CONRAD: Thank you. One point, Your Honor,
12 on the asserted claim.

13 In our brief, on the opening brief on pages 11 to
14 12, we did conduct an analysis on all of the claims beyond
15 claim 1. The plaintiff had an opportunity to address any
16 issues with those claims; and we don't think that further
17 briefing should be warranted. They had their opportunity.

18 THE COURT: So I recognize you are not asking
19 for the chance to brief, but should I also understand you
20 oppose their request today for further briefing?

21 MR. CONRAD: That's correct. They had their
22 opportunity, Your Honor.

23 THE COURT: All right. I think I will have at
24 least a little bit more to say on this. So we'll take a
25 short recess, and I will come back.

1 (Brief recess taken.)

2 * * *

3 (Proceedings reconvened after recess.)

4 THE COURT: Have a seat.

5 All right. So what I'm going to do is tell you
6 my inclination for how we proceed from here, and then
7 ultimately the way this ends today is I'm going to give you
8 all a few days to think about what I have to say and to talk
9 with one another and give me your proposal next week as to
10 how you think I should proceed in light of what I'm going to
11 say.

12 My inclination is essentially to tell you to
13 start this case all over. Basically, I hear the argument
14 for why I should treat the briefing as closed. That
15 plaintiffs, in particular, have the opportunity to say brief
16 their views on claims 2 through 7.

17 It is somewhat surprisingly to me the defendants
18 don't want the opportunity to brief even though we all learned
19 a lot more about what the plaintiffs are actually arguing
20 today than we learned in the briefing. But ultimately I'm the
21 one that has to make a decision, and I'm just not confident at
22 the moment that in light of all the new things I heard today,
23 most especially from plaintiff, that I can, in an efficient
24 way, in a way that is fair to the Court, write an opinion and
25 make the decision I have to make without getting further

1 assistance from the parties.

2 So I'm not deciding that today. I'm going to
3 give you all a chance to tell me why it continues to be your
4 view I shouldn't go down the path that I'm about to lay out
5 as my inclination, but I want to share my inclination.

6 So my inclination is to deny without prejudice
7 the motion to dismiss, give the plaintiff leave to amend to
8 file a new complaint in light of the fact that there has
9 been a lot of intervening decisions from the Federal Circuit
10 since the time this complaint was filed. There are arguably
11 some relevant statements and some opinions from the Federal
12 Circuit about things plaintiffs might want to do, looking
13 forward to a 101 motion in how they plead, and perhaps the
14 plaintiff should be given the opportunity to take advantage
15 of that new case law and replead.

16 But whether they got leave to amend or not, my
17 inclination is to tell the defendant to renew their motion
18 if they wish, in light of the clarity that we now have, what
19 the plaintiff's position is to as to, for instance, what
20 claims they reserve the rights to assert, what claim
21 constructions should be applied, which claim limitations are
22 nonconventional, nonroutine or for which there are at least
23 a fact dispute on that question, and in light of the cases
24 that have been decided since the briefing.

25 So in an ideal world I would have the parties

1 informed views on all of those points in writing where I
2 could carefully consider them before I have to write an
3 opinion. And so that is my inclination.

4 That said, if we do start over or have new
5 briefing, I want to move quickly. Among other things, I
6 have a law clerk here who is only here for three more
7 months. He is familiar with the technology. It would be
8 awfully nice to get this resolved by some time let's say
9 mid-October. So I'm not doing anything right now except
10 telling you kind of where my head is and then asking you to
11 tell me how long do you want to think about this and get
12 back to me your proposals after talking to one another.

13 So, Mr. Conrad, any thoughts?

14 MR. CONRAD: No, Your Honor.

15 THE COURT: Okay. Mr. Pazuniak, any thoughts?

16 MR. PAZUNIAK: I believe, Your Honor, our
17 inclination, -- I have to talk to co-counsel and the client
18 obviously, but our inclination would be that Your Honor's
19 approach of dismissing without prejudice and allowing the
20 re-filing is fine with us. There is a lot of new law and it
21 should be considered.

22 We have no problem in a very short briefing
23 schedule, if that should -- you know, if that is the
24 direction Your Honor goes.

25 THE COURT: Recognizing you need to confer with

1 others on your side and confer with the other side, when
2 would you like me to tell you to report back to me?

3 MR. PAZUNIAK: Clients are always difficult, but
4 I believe we should be able to get ahold of the client
5 between today and tomorrow, and so on Monday we should be
6 able to respond from our standpoint.

7 Obviously, I would like the chance to talk to
8 Mr. Conrad or whoever.

9 THE COURT: A week from today, you could get
10 this all done?

11 MR. PAZUNIAK: Oh, yes. Yes. Definitely.

12 THE COURT: Mr. Conrad, what do you think?

13 MR. CONRAD: Most likely, I believe my client
14 might have a travel schedule this week, but a week would be
15 fine.

16 THE COURT: Let's make it a week from tomorrow,
17 a joint status report in which what I'm looking for is
18 ideally a joint position, but if not, give me a little bit
19 of argument about why each of you has a different position
20 as to how I should now proceed in light of what I have said.

21 If it turns out that next Friday is very
22 difficult and you need a couple extra days, let me know that
23 before next Friday, and we'll give you some extra time.

24 Are there any questions?

25 MR. CONRAD: None from the defendant.

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THE COURT: Any questions?

MR. PAZUNIAK: No, Your Honor. Thank you.

THE COURT: Thank you all very much.

(Oral argument hearing ends at 12:05 p.m.)

I hereby certify the foregoing is a true and accurate transcript from my stenographic notes in the proceeding.

/s/ Brian P. Gaffigan
Official Court Reporter
U.S. District Court